

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** October 18, 2018

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Economics (Doherty) *RD EAD*  
Office of the General Counsel (Nieves) *IN JSC*

**RE:** Docket No. 20180158-GU – Joint petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

**AGENDA:** 10/30/18 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 10/30/18 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

RECEIVED-FPSC  
2018 OCT 18 AM 9:40  
COMMISSION  
CLERK

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## Case Background

On August 31, 2018, Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, and Florida Public Utilities Company – Fort Meade (jointly, FPUC), as well as the Florida Division of Chesapeake Utilities Corporation (Chesapeake) (jointly, companies), filed a petition for approval of a revised swing service rider tariff for the period January through December 2019. FPUC is a local distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes (F.S.). FPUC is a wholly-owned subsidiary of Chesapeake Utilities Corporation, which is headquartered in Dover, Delaware. Chesapeake is also an LDC subject to the Commission’s jurisdiction under Chapter 366, F.S., and is an operating division of Chesapeake Utilities Corporation.

Docket No. 20180158-GU

Date: October 18, 2018

The Commission first approved the companies' swing service rider tariff in Order No. PSC-16-0422-TRF-GU (swing service order) and the initial swing service rider rates were in effect for the period March through December 2017.<sup>1</sup> As required in the swing service order, the companies submitted the instant petition with revised 2019 swing service rider rates for Commission approval by September 1, 2018. The swing service rider is a cents per therm charge that is included in the monthly gas bill of transportation customers. This is staff's recommendation on the 2019 swing service rider rates.

During its evaluation of the petition, staff issued two data requests to the companies for which responses were received on September 24, 2018 and October 4, 2018. The proposed revised tariff sheets are shown in Attachment A to the recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

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<sup>1</sup> Order No. PSC-16-0422-TRF-GU, issued October 3, 2016, Docket No. 160085-GU, *In re: Joint petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

## Discussion of Issues

**Issue 1:** Should the Commission approve FPUC's and Chesapeake's revised swing service rider rates for the period January through December 2019?

**Recommendation:** Yes. The Commission should approve FPUC's and Chesapeake's swing service rider rates for the period January through December 2019. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order. (Doherty)

**Staff Analysis:** The companies incur intrastate capacity costs when they transport natural gas on intrastate pipelines (i.e., pipelines operating within Florida only). The companies have two types of natural gas customers: sales and transportation customers. The swing service rider allows the companies to recover the intrastate capacity costs directly from all transportation customers as intrastate pipeline projects benefit all customers.

Sales customers are primarily residential and small commercial customers that purchase natural gas from an LDC and receive allocations of intrastate capacity costs through the Purchased Gas Adjustment (PGA)<sup>2</sup> charge. Only Florida Public Utilities Company and Florida Public Utilities Company – Fort Meade have sales customers.

Transportation customers receive natural gas from third party marketers or shippers<sup>3</sup> and, therefore, do not pay the PGA charge to the LDC. The companies' transportation customers can be categorized as TTS (Transitional Transportation Service) or non-TTS. TTS program shippers purchase gas for residential and small commercial customers, in aggregated customer pools, who do not contract directly with a shipper for their gas supply. Only Florida Public Utilities Company – Indiantown Division (Indiantown) and Chesapeake have TTS customers.

TTS customers receive allocations of intrastate capacity costs through the swing service rider. Prior to the approval of the swing service rider, TTS customers received allocations of intrastate capacity cost through the Operational Balancing Account (OBA) mechanism. The OBA mechanism allowed Indiantown and Chesapeake to assign intrastate capacity costs to TTS shippers, who then passed the costs on to the TTS customers for whom they purchase gas. With the approval of the swing service rider, TTS customers are now charged directly their allocated portion of the intrastate capacity costs (rather than Indiantown and Chesapeake charging the shippers who then passed the costs on to the TTS customers).

Non-TTS customers are primarily large commercial or industrial customers who contract directly with a shipper for their natural gas supply. Prior to the approval of the swing service rider, non-TTS customers were not paying a share of the intrastate capacity costs. The Commission approved a stepped implementation process for the swing service rider for non-TTS customers because the implementation of the swing service rider could have a significant financial impact on those customers who previously had not been allocated any portion of the intrastate capacity costs.

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<sup>2</sup> The PGA charge is set by the Commission in the annual PGA proceeding.

<sup>3</sup> The Commission does not regulate the shippers and their charges for the gas commodity.

Specifically, the swing service order approved a five-year implementation period for non-TTS customers with a 20 percent per year stepped allocation. Accordingly, the 2018 swing service charges included a 40 percent allocation of intrastate capacity costs to the non-TTS customers; the instant petition includes a 60 percent allocation of intrastate capacity costs to the non-TTS customers. Therefore, the proposed 2019 swing service rider rates for the non-TTS transportation customers increased.<sup>4</sup> The proposed 2019 swing service rider rates for TTS transportation customers, on the other hand, decreased as a result of the increased allocation of costs to the non-TTS customers.

### **Proposed Swing Service Rider Rates**

The proposed 2019 swing service rider rates were calculated based on the same methodology approved in the swing service order. As shown in the companies' petition, the total intrastate capacity costs for the period July 2017 through June 2018 are \$7,396,034. The total intrastate capacity costs reflect payments by FPUC to intrastate pipelines for the transportation of natural gas pursuant to Commission approved transportation agreements. In addition, the intrastate capacity costs include payments for outside contractors FPUC hired to provide expertise on the purchase of commodity and capacity.

Some of these costs (\$3,620,456) will be billed directly to certain large special contract customers. The remaining costs, \$3,775,578 (\$7,396,034 - \$3,620,456), are allocated between sales and transportation customers.

The companies used actual therm usage data for the period July 2017 through June 2018 to allocate the intrastate capacity costs. Based on the usage data, the appropriate split for allocating the cost is 70.16 percent (\$2,648,874) to transportation customers and 29.84 percent (\$1,126,704) to sales customers. The sales customers' share of the cost is embedded in the PGA.

The transportation customers' share is allocated to the various transportation rate schedules in proportion with each rate schedule's share of the companies' total throughput. The cost allocated to each rate schedule is then divided by the rate schedule's number of therms to calculate the swing service rider rates.

As stated earlier, TTS customers are charged their allocated portion of the intrastate capacity costs, while non-TTS customers are subject to a phased implementation. Since non-TTS customers are only allocated 60 percent of the total intrastate capacity costs, the 2019 swing service revenues the companies will receive will total \$1,702,175; the remaining \$946,699 (\$2,648,874 - \$1,702,175) of intrastate capacity costs allocated to transportation customers will be recovered through the PGA cost recovery clause from sales customers.

### ***Credit to the PGA***

The total intrastate capacity costs are embedded in the PGA with the projected 2019 swing service rider revenues incorporated as a credit in the calculation of the 2019 PGA. The amount credited to the 2019 PGA is \$1,702,175, plus \$3,620,456 received from special contract

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<sup>4</sup> The proposed swing service rider rates for Chesapeake's non-TTS rate schedules FTS-10 and FTS-11 decreased due to a decline in volumes and allocated costs to those two rate classes.

customers, for a total of \$5,322,631.<sup>5</sup> At the end of the stepped implementation period in year five, non-TTS customers will no longer receive a reduced allocation of the intrastate capacity cost, the credit to the PGA will increase accordingly, and sales customers will no longer absorb a portion of the non-TTS intrastate capacity costs.

### **Conclusion**

Based on its review of the information provided in the petition and in response to staff's data requests, staff recommends that the companies' proposed swing service rider is reasonable. Staff reviewed the total projected intrastate capacity costs and verified that the costs included are appropriate. The Commission should approve the proposed swing service rider rates for the period January through December 2019. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order.

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<sup>5</sup> See the Direct Testimony of Geoffrey Wight on behalf of FPUC, filed on August 20, 2018, Document No. 05422-2018, in Docket No. 20180003-GU, Exhibit No. GAW-2, page 1 of 6.

Issue 2: Should this docket be closed?

**Recommendation:** Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Nieves)

**Staff Analysis:** If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Florida Public Utilities Company  
F.P.S.C. Gas Tariff  
Third Revised Volume No. 1

~~Fifth~~ Sixth Revised Sheet No. 35.6  
Cancels ~~Fourth~~ Fifth Revised Sheet No. 35.6

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*BILLING ADJUSTMENTS*

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Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service Rider factors for the period from the first billing cycle for January 2018 ~~9~~ through the last billing cycle for December 2018 ~~9~~ are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule GSTS-1	\$0.0465 <u>197</u>
Rate Schedule GSTS-2	\$0.0464 <u>191</u>
Rate Schedule LVTS	\$0.0462 <u>183</u>

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Jeffrey Householder, President

Effective:

Florida Public Utilities Company, Indiantown Division  
Original Volume No. 2

~~Second~~ ~~First~~-Revised Sheet No. 35.2  
Cancels ~~Original~~ ~~First~~ Revised Sheet No. 35.2

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**BILLING ADJUSTMENTS**

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(Continued)

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2018~~9~~ through the last billing cycle for December 2018~~9~~ are as follows:

<u>Rate Class</u>	<u>Classification</u>	<u>Rates Per Therm</u>
Transportation Service 1	TS1	\$0.0428 <del>3</del> <u>2</u> 1
Transportation Service 2	TS2	\$0.0411 <del>5</del> <u>3</u> 01
Transportation Service 3	TS3	\$0.0485 <del>3</del> <u>2</u> 2
Transportation Service 4	TS4	\$0.0000

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Jeffrey Householder, President

Effective:

Florida Public Utilities Company-Fort Meade  
F.P.S.C. Gas Tariff  
Original Volume No. 1

~~First~~ Second Revised Sheet No. 64.1  
Cancels ~~Original~~ First Revised Sheet No. 64.1

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2018~~9~~ through the last billing cycle for December 2018~~9~~ are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule GSTS-1	\$0.04490194

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Jeffrey Householder, President

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Second~~ First Revised Sheet No. 105.4  
Original Volume No. 4 Cancels ~~Original~~ First Revised Sheet No. 105.4

**RATE SCHEDULES**  
**MONTHLY RATE ADJUSTMENTS**

**Swing Service Rider**

**Applicability**

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2018~~8~~9 through the last billing cycle for December 2018~~9~~9 are as follows:

Rate Class	Classification	Rates Per Therm
Firm Transportation Service A	FTS-A	\$0.0444 <u>348</u>
Firm Transportation Service B	FTS-B	\$0.0429 <u>382</u>
Firm Transportation Service 1	FTS-1	\$0.0459 <u>404</u>
Firm Transportation Service 2	FTS-2	\$0.0478 <u>410</u>
Firm Transportation Service 2.1	FTS-2.1	\$0.0443 <u>392</u>
Firm Transportation Service 3	FTS-3	\$0.0396 <u>311</u>
Firm Transportation Service 3.1	FTS-3.1	\$0.0400 <u>308</u>
Firm Transportation Service 4	FTS-4	\$0.0468 <u>190</u>
Firm Transportation Service 5	FTS-5	\$0.0462 <u>196</u>
Firm Transportation Service 6	FTS-6	\$0.0459 <u>186</u>
Firm Transportation Service 7	FTS-7	\$0.0469 <u>203</u>
Firm Transportation Service 8	FTS-8	\$0.0468 <u>190</u>
Firm Transportation Service 9	FTS-9	\$0.0452 <u>185</u>
Firm Transportation Service 10	FTS-10	\$0.0483 <u>175</u>
Firm Transportation Service 11	FTS-11	\$0.0484 <u>176</u>
Firm Transportation Service 12	FTS-12	\$0.0448 <u>176</u>
<u>Experimental Rate Class</u>	<u>Classification</u>	<u>Rates Per Bill</u>
Firm Transportation Service A	FTS-A	\$0.3819 <u>2989</u>
Firm Transportation Service B	FTS-B	\$0.6527 <u>5807</u>
Firm Transportation Service 1	FTS-1	\$0.9917 <u>8731</u>
Firm Transportation Service 2	FTS-2	\$2.0927 <u>17976</u>
Firm Transportation Service 2.1	FTS-2.1	\$6.7514 <u>59778</u>
Firm Transportation Service 3	FTS-3	\$8.8700 <u>69692</u>
Firm Transportation Service 3.1	FTS-3.1	\$25.2933 <u>194660</u>

Issued by: Michael P. McMasters, President  
Chesapeake Utilities Corporation

Effective: